

**STATEMENT OF BRIAN SCHWEITZER
A GOVERNOR FROM THE STATE OF MONTANA**

MR. SCHWEITZER: Thank you very much for inviting me and, in fact, yes, I lived and worked in Saudi Arabia for seven years. I've been in 34 countries around the world, mostly developing irrigation in the developing world and transferring American agricultural technology. I've shipped frozen embryos. Before we get into debate about it, this is cattle.

[Laughter.]

MR. SCHWEITZER: Cattle embryos and semen and live cattle, irrigation equipment, seed, and American technology all over the world.

Our situation worldwide in coal is this: the United States leads the world in coal reserves; Russia is number two; China is number three. Let's just compare China to our situation here. China has about 114 billion tons of reserves, of coal reserves, recoverable reserves. Montana alone has about 120 billion tons. Montana has about 32 percent of the supply in this country and about eight percent of the world's supply.

In China, the situation is that most of the coal in China is in the north and in the northwest, and Montana is mostly in the north and northwest. They have bituminous coal, they have sub-bituminous, and they have lignite, same as Montana.

78 percent of the electricity produced in China comes from coal, and in the United States, about 50 percent of our electricity comes from coal.

Here's the situation, folks. Only about .8 of a percent of the people in China own cars. And yet they are one of the world's largest importers of oil. They will be the leaders in the world for the foreseeable future in increases of energy production and consumption. In fact, we believe that they will complete the equivalent of one 500 megawatt electricity plant using pulverized coal per week for the foreseeable future.

During the next 30 years, China will produce more CO₂ than the rest of the world has for the last 100 years. Already in the western United States, more than 50 percent of the non-naturally occurring mercury arrived from China.

With peak oil having arrived or soon arriving, China will increasingly rely on coal. That is the energy source that they have.

The United States must lead by example. We are the largest producers of CO₂ today, and while we've managed to mitigate those increases and we are making attempts to at least discuss the question of global climate change, we actually have no standing in the world today on global climate change--no standing.

And so when we discuss the situation in China, frankly how can we say to a growing economy like China that you must

decrease your CO₂ or you must find more expensive ways of producing energy or consuming energy because the globe has become much smaller, and what you do affects us in the United States?

Well, China in response would say, during the last hundred years, you became the wealthiest country in the history of the world because of your great consumption of fossil fuels, and we just kind of want to get on the wagon with you. So, until the United States leads, until we develop the technologies and implement them, we will not be able to say anything to China about their future.

Montana is already working with Yanzhou Coal Company. They're the second-largest coal company in China. And the bottom line here is that the United States has got to develop a carbon policy. And I am back here in Washington, D.C., where they're dang-good at discussing things. They discuss them and they pontificate, but what action have we taken?

Now, there are some fundamental problems. We're talking about carbon sequestration today. We're saying that in order for the United States to have standing, in order for coal to be a significant part of the energy future, most of us agree that coal is going to have to find a way of burying the carbon dioxide.

All right. So where are we at today? The only carbon dioxide that we sequester in the United States today is used for enhanced oil recovery. We've been doing that for about the last 30 years. We're able to pump carbon dioxide into these geologic zones, force the oil out of the rocks and the CO₂ in, and under these high pressures, actually the CO₂ becomes a solid and part of the rock. Why wouldn't it because, of course, the carbon came from the rocks to begin with. It came from deep in the earth. We bring it to the surface.

When you disassociate the carbon from the hydrogen, there's a burst of energy, and unfortunately then you have carbon dioxide. But if you can capture that carbon dioxide and put it right back into the earth, then coal and other hydrocarbons could indeed be part of our energy future.

Well, here's our challenges. Let's start with something as simple as this: now probably you know that in the United States, most states have what we call split estates, meaning the person or the entities who own the minerals under the surface may not be the same ones who own the surface land. So, in practical terms, if you come to Montana, and you want to find out who owns a piece of land or who owns that ranch, you go on down to the courthouse, walk into the courthouse, and all the way in the back, there's a big thick book, dusty. Dust it off a little bit, and then you open it up. You go to the township and range that you're interested in, then you follow it down to the section, and voila. That's what title companies do everyday and the last time you bought or sold a house, that's exactly what they did.

There it is. Joe Manchin is the owner of that ranch in

Montana. But does Joe Manchin own the minerals under that ranch? Maybe. Maybe not. In order to find that out, you go to the other side of the courthouse and there is another dusty book, and you open it to that township and range and that section, and now while it's true that Joe and Gail Manchin own the ranch, you'll find out that they don't own all the minerals under it.

In fact, the federal government owns some of them and the state of Montana owns some, the railroad owns some, some dead lady from Omaha owns some, and Joe and Gail own 12-1/2 percent of the minerals.

Okay. That's well understood. That's the legal system that we have in this country, but let me ask you this question. We're talking about CO2 sequestration, trillions of tons of carbon we're going to sequester during the next 30 years. Who owns the right to pump carbon dioxide under Joe and Gail's ranch? Joe and Gail? They own the surface. Or the mineral owners? They have the right to extract the minerals.

But who owns the vacant space 10,000 feet below the ranch? This is kind of a fundamental legal question. We don't know. That has not been established. Western governors have been discussing this. Some states are working toward a legal solution but, ultimately, and unfortunately, I guess we need Congress to do something here because if Montana has one standard and Wyoming has another and we have carbon dioxide that's passing through state lines, and we have giant salt domes that are on both sides of the border in North Dakota and Montana, we have to establish a national standard.

Yet we're debating a carbon cap and trade system in this country. We're talking about burying trillions of tons and we don't even know who has the right. It's a fundamental question.

Liability. Who's responsible if there's a failure in sequestered carbon dioxide during the first ten years, the next 50 years, the next 500 and the 10,000 that follow it? We haven't established the legal system.

Incentives. Some say the carbon cap and trade system is a workable system. In fact, many of the utilities in the United States are proponents of a carbon cap and trade system. I think you've seen some of the largest utilities and some of the largest technology companies, GE and some of the largest utilities, in fact, have formed a consortium. They have come before Congress and said we need a carbon cap and trade system. So you say, well, how does that really work?

Well, they say it's pretty simple. We will set a cap on the amount of carbon dioxide that's produced in this country and then we will set goals to decrease the amount of carbon that you produce in the future. Who gets the right to produce the carbon dioxide right now? Well, they straighten their tie and they say, we do. We're the ones who are producing the carbon right now. We're franchised to continue to

produce carbon, and as we decrease our production, then we'll be rewarded in some way with incentives.

Why wouldn't they be for a system like that? We've just offered franchises to those who produce carbon. That system may work. It may not.

Some say that we ought to just have a carbon tax and let that tax be neutral. Others, for example, some of the larger coal companies, say that any kind of a carbon tax is going to destroy the competitive nature of the United States. It will increase the price of our electricity by a multiple of one or two or three times, and we simply can't afford a carbon tax. Others have proposed that we need just an energy tax, that if you are a consumer of energy, you pay a portion of what you're consuming to the federal government and the federal government will use that money to develop the research and commercialization of carbon sequestration.

I don't have the answers, but I can tell you this. We are a long ways from having the answers today, and yet we're in a position where we have got to move now because if we wait another ten years, China and the developing world are going to continue to produce carbon dioxide and mercury at unprecedented rates.

So step one. The United States has got to have standing. The United States has got to develop those technologies that will either produce clean coal technology or somehow walk away from coal. Now there are those who say you cannot put lipstick on a pig. They don't like coal. They call coal a four-letter word. Well, I guess that's one way of looking at it, but unless you are willing to live naked in trees and eat nuts, coal is going to be part of your future.

Remember, 50 percent of the electricity produced in this country comes from coal. I have some friends who say, well, I am going to drive an electric car. I'm getting off of those hydrocarbons. I don't want anything to do with hydrocarbons anymore. Well, so that electric car has a long cord that is hooked to a tall smokestack because 50 percent of our electricity comes from coal.

Today our challenge is to develop the technology and to transfer the technology. Tom Brokaw and his wife Meredith actually started in South Dakota, but now they've had the good sense to buy a ranch in Montana, and they're raising some buffalo. And Meredith is attempting to spend most of the money that Tom has made in the last 40 years buying horses.

[Laughter.]

MR. SCHWEITZER: She's well on her way. Tom wrote a book, and you probably know of this book, called *The Greatest Generation*, and the premise of the book was simply this: that the greatest generation was reared in the Great Depression, those sophomores in high school, juniors in high school, graduating from high school in 1934 or '35 or '38, when most of the people that they

knew didn't have a job unless they were working for the government, when people looked at one another in shock, and openly asked the question does democratic capitalism even work? Does this experiment have merit in the future?

Well, the Great Depression was conquered, and then later they were challenged and they were asked to defeat tyranny in Europe. In a four-year period, we became the number one military power in the world. We built the military industrial complex. We trained our military, and in a four-year period, less time than we've been in Iraq, we defeated tyranny in Europe and Asia.

Later, my generation, I was only six, seven years old, and people all over America were gazing into the night skies. Most of you are old enough to remember this. We were looking into the night skies and among the stars, we saw a satellite that was moving, Sputnik, and that simple satellite, one satellite, said to the American people that we had fallen behind the Russians in aerospace technology.

And it was President Kennedy, even though he had advisors who said to him, Mr. President, don't go before the American people and say we're going to put a man on the moon in ten years; we don't even know if it's technically feasible. In fact, there were scientists who thought perhaps there might have been just 500 feet of dust, and when you landed some kind of a spacecraft, it would sink hundreds of meters into the dust.

There were those who said it would be impossible to land on the moon in ten years, but it was President Kennedy who did go before the American people and said this is the greatest challenge of this generation, and we will put a man on the moon in ten years. And when that Apollo mission landed, it had less computing technology than your cell phone.

Now, we are faced with the greatest challenge in the history of our country, and that challenge is to produce energy for this country domestically without increasing carbon dioxide and mercury emissions. And not only developing the technology for this country, but transferring it to the rest of the world. If we get it right in this generation, we will be known for seven generations as the greatest generation. If we get it wrong, heaven help us. Thank you.

CHAIRMAN BARTHOLOMEW: Thank you very much.